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September 8, 2008

Mr. Charles L.A. Terreni  
Chief Clerk/Administrator  
Public Service Commission of South Carolina  
101 Executive Center Dr., Suite 100  
Columbia, SC 29210

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Posted: lod  
Dept: S.A.  
Date: 9/9/08  
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SC PUBLIC SERVICE  
COMMISSION

Re: Application of Duke Energy Carolinas, LLC for Authorization Under Article 13, Chapter 27 of Title 58 of the Code of Laws of South Carolina (1976, As Amended), to Issue and Sell Securities  
Docket No. 2007-338-E

Dear Mr. Terreni:

Duke Energy Carolinas ("the Company" of "DEC") is proposing under this docket to issue, in increments and times yet to be determined, \$2 billion of debt in the form of: (1) secured First and Refunding Mortgage Bonds under its December 1, 1927 First and Refunding Mortgage; (2) unsecured senior notes or subordinated notes to be issued under the Senior and Subordinated Indentures to the Bank of New York, respectively; (3) and, borrowings from the proceeds from the sale of tax exempt bonds issued by governmental authorities. The varying times and degrees of security of the proposed debt render an interest rate cap impossible. The Company estimates the cost of issuance at less than 0.1% of the bonds and notes and at 0.31% of the borrowing from the proceeds of tax-exempt bonds. The application is to replenish exhausted authority previously granted under this docket. As previously under this docket, the Company would use a "shelf" registration statement filed with the Securities and Exchange Commission. The securities would be remarketable.

The Company believes that the proposed issuances will not affect its relative sources of funding as reflected in its balance sheet, which means that the proposed debt should not affect its capital structure. The Company also anticipates no impact on its credit ratings from these proposed issuances. DEC proposes this debt to redeem higher cost debt, to refund maturing debt, to fund construction costs, including, potentially, base load construction, and to support general purposes.

Based on its review, ORS has no objection to Duke Energy's request.

Sincerely,

  
John W. Flitter

JWF/dhc

cc: Dan F. Arnett, Chief of Staff, SC ORS  
Jay Jashinsky, Director of Auditing  
Nanette Edwards, Chief Counsel, SC ORS  
Shannon Bowyer Hudson, Counsel, SC ORS  
Robert T. Lucas III, Associate General Counsel, DEC  
Stephen G. DeMay, V.P. and Treasurer, DEC  
Dr. James Spearman, Executive Assistant to SCPSC

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